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UNLOCKING THE POWER OF **STRATEGIC WORKFORCE PLANNING**

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INTRODUCTION:

Economic uncertainty and shifts in the labor market have accelerated the interest in strategic workforce planning. According to Aptitude Research, 85% of companies continue to invest or increase their investment in 2023, and nearly half of all HR leaders are feeling more pressure from senior leaders to address the future of work. However, workforce planning is not optional. This study found that:



27%

of companies have not measured the ROI of their digital transformations.



72%

of companies are facing pressure to cut costs this year (including headcount).



Workforce planning was viewed as a tool to support layoffs rather than a strategy to support the business

Companies want to stay prepared, respond to unforeseen changes in the business, and reduce costs. Strategic workforce planning is the most powerful muscle a company can build to achieve these goals. It creates greater alignment between talent and business priorities and allows companies to be more thoughtful and less reactive in their approach to talent.

The focus on workforce planning is not a new phenomenon. Companies have been committed to better understanding the supply and demand of talent over the past few decades. In 2008, for example, companies turned to strategic workforce planning in response to the recession and high unemployment. Unfortunately, most strategies failed even before they started due to a lack of resources and poor execution. **Workforce planning was viewed as a tool to support layoffs rather than a strategy to support the business.** In addition, companies only tracked current headcount or relied on Excel spreadsheets that needed to be regularly updated or consistently shared with key stakeholders. Companies have hit an inflection point today, and workforce planning is no longer a short-term fix.

Instead, companies looking to thrive over the next year must consistently provide insights and data to address current and future talent needs over the next year and beyond. It is the only option.

A few factors are contributing to the urgency around workforce planning today:



Pressure from senior leaders:

47% of HR professionals state that senior leaders ask for workforce planning strategies regularly. The past few years have made it clear that decisions around talent can no longer be reactionary, and companies need a data-driven approach to talent.



Skills-based workforce planning:

One in two companies prioritize upskilling and reskilling their workforce today. A skills-based approach is the future of workforce planning and provides companies with better visibility into their workforce and a sustainable long-term approach.



Investment in the future of work:

72% of companies have increased their investment in initiatives supporting the future of work, yet 60% of companies do not feel prepared. Workforce planning gives companies the insights they need to achieve any HR or talent transformation results.

STRATEGY

Today's HR leaders have a unique opportunity to embrace strategic workforce planning - strengthening their relationships with business leaders and providing more data and insights into what constitutes the future of work and talent. Dynamic scenarios and investment in skills will help companies shift workforce planning to **strategic workforce planning**. Based on data collected in 2023, this report will explore what a modern approach to strategic workforce planning includes and the strategies companies should consider to get there.

 aptitude
research **Methodology****Quantitative Research:**

335 responses for TA and HR VP Level,
Recruiters/Sourcers, and IT Professionals.

Company Sizes:

18% (250-999ees)

22% (1,000-4,999ees)

28% (5,000-9,999ees)

32% (10,000ees+)

Qualitative Research:

Interviews with TA and HR leaders in
2022 and 2023



KEY FINDINGS

-  **Workforce Planning at Most Companies is Still Immature:** Although 85% of companies are investing the same or more, only 14% are taking a strategic, long-term approach to workforce planning initiatives. Since most workforce planning processes are conducted on an “as-needed” basis, they address current headcount but fail to help business leaders plan for the skills and core competencies needed in the future.
-  **The Potential Benefits of Strategic Workforce Planning are Massive:** With strategic workforce planning, companies can see results across all talent initiatives, including talent acquisition, talent development, and contingent workforce management. They can also see the impact from a business enablement (top-line/revenue) perspective, including cost savings, customer retention, and growth.
-  **A Skills-Based Approach and Clear Skills Taxonomy Allows Companies to Scale Strategic Workforce Planning:** Only 18% of companies have a skills-based approach to strategic workforce planning. Skills are the future of these strategies and allow companies to scale workforce planning and make it more consistent across the company. Skills also allow companies to look and align more holistically at total talent, including the traditional and contingent workforce.

 **Strategic Workforce Planning Will Not Happen Overnight:** Our research has identified four distinct maturity levels for strategic workforce planning. Based on survey results, workforce planning has identifiable stages of maturity that can help companies evolve into more forward-thinking organizations. Companies must be patient, start small, and invest in the right partners to support this process. As mentioned earlier, a skills-based approach to workforce planning can expedite this process.

 **Companies Need Consistency:** Nearly half (48%) of organizations still need a company-wide approach to workforce planning. Consequently, only some business units follow the formalized workforce planning process; others follow their processes independently. Matrix-style organizations are decentralized in their business planning, and as a result, workforce planning remains siloed. Mature workforce planning processes are more successful at creating one data source for the entire organization. Regardless of where individual business units start in the workforce planning process, they should aim to adopt a consistent methodology and critical best practices to help create a strategic approach.

 **Investment in Dynamic Scenarios:** Dynamic scenarios and a focus on skills help companies mature in their workforce planning approach and ensure that it is truly strategic. Companies that invest in dynamic scenarios can better understand the supply and demand for talent.

CURRENT STATE OF **STRATEGIC WORKFORCE PLANNING**

Workforce planning is a set of business processes that analyze the supply and demand of talent. This discipline helps organizations understand changes in the workforce and forecast skill gaps and the actions necessary to close these gaps. An effective workforce planning process will help business leaders make informed decisions regarding skills and talent. Although companies recognize strategic workforce planning as a critical part of HR and talent strategies, only 14% have a long-term approach. For many companies, workforce planning is a response to change rather than the foundation of their approach to talent.

Fortunately, companies are rethinking their approach to workforce planning and viewing it as a critical priority. They are beginning to realize that there is a tremendous opportunity to provide more visibility to business leaders, avoid layoffs and hiring freezes, and strengthen staffing and recruitment efforts. As a result, companies are shifting to strategic workforce planning — increasing investment, establishing dedicated roles, and focusing on technology enablers.



Increased Investment

According to this study, 85% of companies are increasing their investment or continuing to invest in strategic workforce planning this year (see Figure 1). When asked what this investment includes, companies included dedicated roles, consulting, and technology (see Figure 2).

Figure 1: Investment in Strategic Workforce Planning

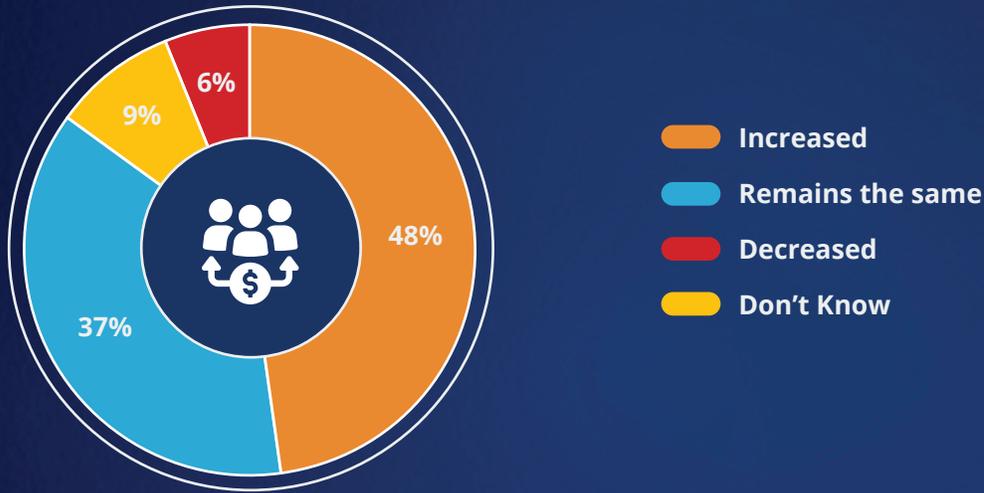


Figure 2: Investment by Category





Dedicated Roles

Over the past year, more companies have dedicated roles for strategic workforce planning. Some workforce planning professionals may also be responsible for talent management or recruitment activities. Others are solely responsible for analyzing the supply and demand for talent. This trend in workforce planning leadership reveals that companies recognize how imperative workforce planning is for gaining a competitive advantage. Aptitude Research found that 58% of enterprise companies (10K employees and more) have or plan to have dedicated roles for strategic workforce planning.



Technology

Companies have more options today to support strategic workforce planning. Over 10 years ago, companies had to rely on Excel spreadsheets or a few pure-play providers to offer headcount analysis at a bare minimum. Today, companies have better options with vendors offering solutions to understand talent gaps and stay laser-focused on a skills-based approach to workforce planning.

As companies increase their commitment to workforce planning, they must build a deeper understanding of what workforce planning is and what benefits it will bring to their organization.



KEY DRIVERS FOR

INVESTING IN WORKFORCE PLANNING: WHY NOW?

For many companies, workforce planning is a reaction to current economic conditions. It is only implemented on an as-needed basis during change that may include a recession, company relocation, merger or acquisition, or global expansion. Companies are responding to pressures and looking at a short-term approach. The tendency to strengthen workforce planning during times of change should not always be viewed negatively. In many cases, it will catalyze companies to adopt a more strategic approach to understanding and forecasting talent. But maintaining a far-reaching strategy, and reevaluating that strategy based on internal and external conditions, will help organizations reduce costs and increase the overall productivity of the workforce.

Many companies face a talent crisis today, and workforce planning is the natural response. A few factors are driving this increased investment in workforce planning, including the following:

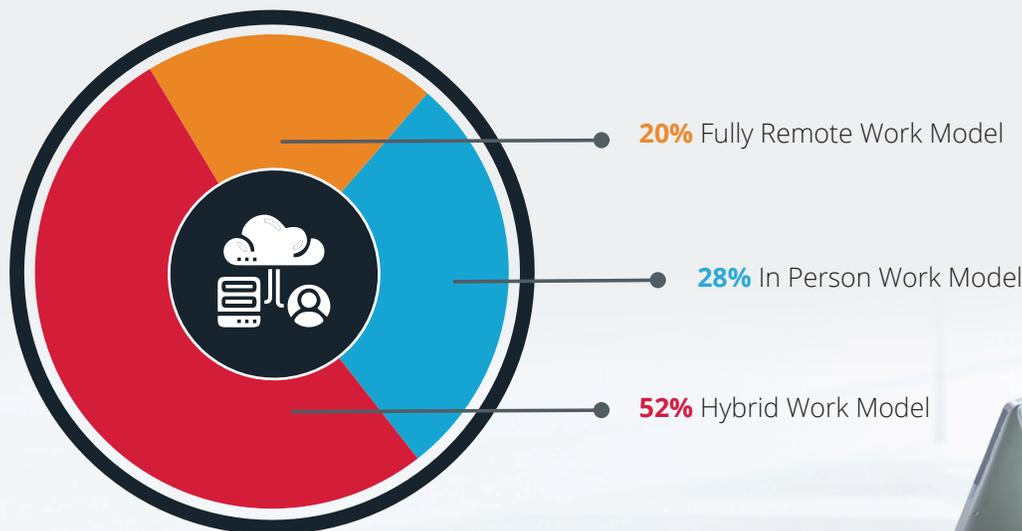


ROI on Digital Transformation: Over the past decade, HR teams have been investing in digital transformation to help support their processes. They engaged large consulting firms or invested in new technology to support these endeavors. Unfortunately, only 27% measured the ROI of this investment. Some of these systems need to be integrated, and others were never adopted. As a result, companies are replacing their systems to obtain more consistency in data to drive decision-making. A strong workforce planning process can measure results and help companies better understand the value and insights from technology.



Shifts in Remote Work: Many companies are still evaluating remote and hybrid work models, even three years since the start of the pandemic. Over 50% of companies have a hybrid model. Remote work creates opportunities for hiring and retention, but it can also create frustration for companies trying to understand their talent needs for the future. A strong workforce plan can help companies stay prepared for any scenario and adjust as needed.

Figure 3: Shifts in Work Environments





Contingent Workers: According to Aptitude Research, 80% of companies are leveraging contingent workers this year, and one in three plan to increase that investment. Companies are thinking beyond permanent full-time roles and looking more broadly at their entire workforce to help navigate change and achieve business objectives. Filling critical skill gaps, providing more flexibility, and preparing for the future of work all play a role in accelerating this shift to an extended workforce. An extended workforce includes anyone a company relies on to get work done. An extended workforce has full-time employees, contractors, freelancers, SOW-based workers, independent consultants, gig workers, and alums. A workforce planning strategy for an extended workforce provides complete visibility into total talent so that companies can stay prepared for both current and future talent needs.



Upskilling and Reskilling the Workforce: When asked to identify top priorities for 2023, companies cited providing opportunities for career development, upskilling and reskilling the workforce, and recruiting talent. Skills impact every area of the future of work. They provide greater insights into talent, improve efficiency when recruiting, and enhance the employee experience through more significant development opportunities. A skills-based approach to workforce planning offers companies a better understanding of their workforce. When turnover has increased, experiences dictate success, and the future seems uncertain, companies cannot afford to make reactive decisions around their workforce.

TOP CHALLENGES

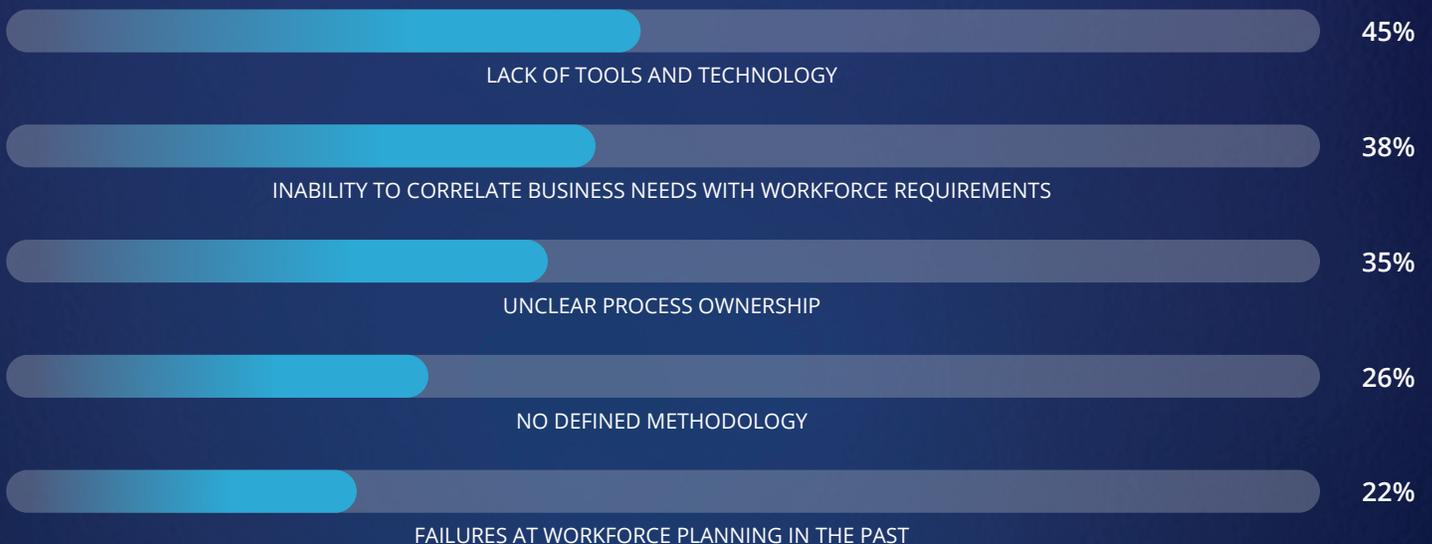
One of the greatest roadblocks to a successful workforce planning strategy is consistency. If companies want true visibility into their current and future workforce needs, they need to ensure that the entire company is on the same page. This study found that while 52% of companies take an enterprise-wide approach, 32% stated that only some business units follow the strategy and 8% stated that individual business units follow their approach independently (see Figure 4). This lack of consistency makes it challenging for companies to see any results from their efforts.

Figure 4: Implementation of Workforce Planning Strategies



In addition to lack of consistency, **the top challenges to a successful workforce planning process include lack of tools and technology**, inability to correlate business needs and workforce requirements, unclear process ownership, no defined methodology, and past failures at strategic workforce planning (See Figure 5.) Many companies realize the importance of implementing a strategic workforce planning process, yet need the direction, leadership, or technology to institute a formalized process. Organizations effectively predict future financial planning; the same logic should be applied to their workforce.

Figure 5: Top Challenges with Strategic Workforce Planning



**Lack of technology:**

Many companies investing in workforce planning solutions are considering existing solutions that may need more capabilities or depth in functionality. As a result, only 22% are satisfied with the technology that they have in place.

**Inability to correlate business needs and workforce requirements:**

Companies often need to align or involve key stakeholders to implement workforce planning strategies. Companies must clearly understand the business strategies before, during, and after implementing a workforce planning approach. Strategic workforce planning should be incorporated into budgeting cycles, business planning, and recruitment and talent development strategies.

**Unclear process ownership:**

Workforce planning is the entire organization's responsibility, yet clear ownership must be established. HR has a unique opportunity to own workforce planning, making it a foundation of every talent initiative.

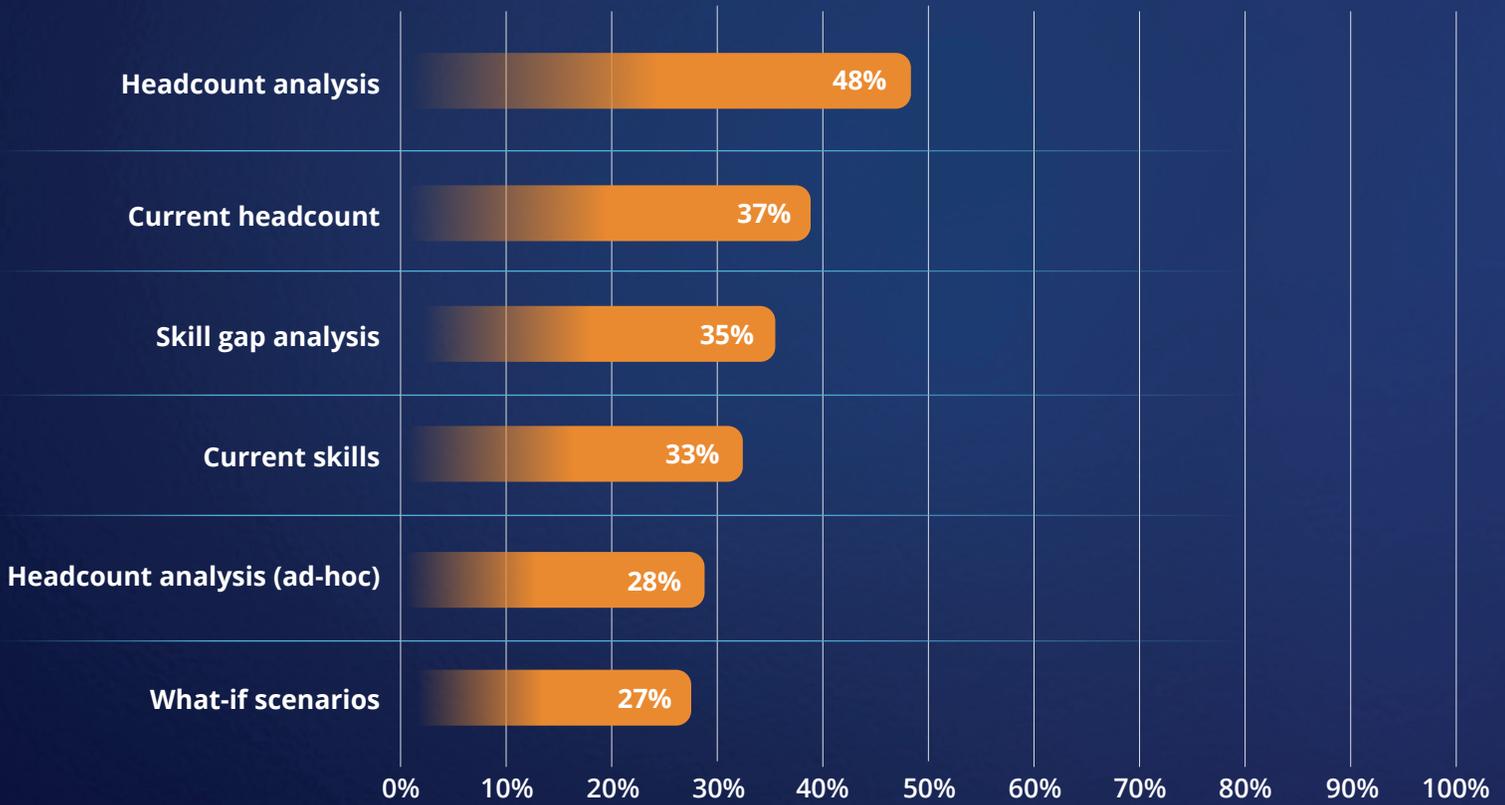
**No defined methodology:**

Many workforce planning processes are too conceptual and lack tactical strategies to be successful. Companies have to move beyond the ideas and concepts and start to implement a process.

**Failures at workforce planning in the past:**

One additional challenge that companies face is a failure at strategic workforce planning in the past. Many companies reignited workforce planning efforts in the recession of 2008 but needed more internal support and the right solutions. For many of these companies, workforce planning was just an exercise in understanding current headcount. Others feel they need help getting started again.

Today, this challenge persists. For companies to see results and reach the full potential of strategic workforce planning, they must move beyond headcount and understand the role of skills gap analysis, scenario planning, dynamic scenarios, and a deeper understanding of skills (see Figure 6).

Figure 6: Workforce Planning Activities

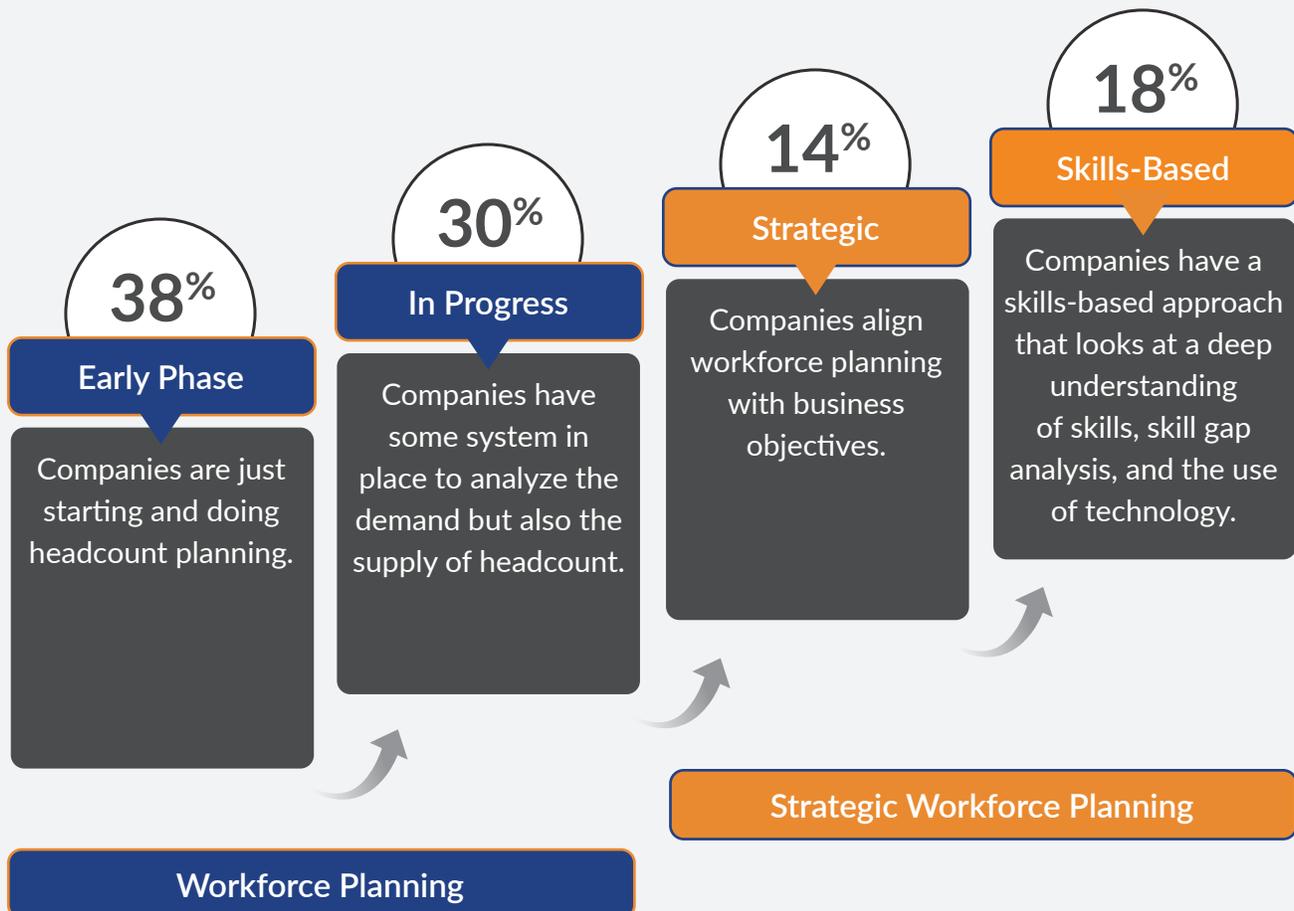
Skills are the most significant opportunity for strategic workforce planning. **Additionally, only 18% of companies have an excellent view of skill gaps through workforce planning allowing them to implement the right strategies or use the right solutions.** The remaining pages of this report will look at how companies can implement and execute a skills-based approach to strategic workforce planning.

FUTURE STATE: SHIFTING TO A SKILLS-BASED STRATEGY

Every company is at a different stage in its workforce planning journey. Some companies are just starting and making ad hoc decisions based on short-term demands for talent, while others are strategically planning for their future talent needs. Although workforce planning is a key priority this year, most companies are still immature in their approach. Only 14% of companies take a long-term approach.

Aptitude Research developed the following maturity model to help companies understand their process around workforce planning and the steps they need to take for a more strategic and optimized approach. This maturity model includes four stages: Early Phase, In Progress, Strategic, and Skills-Based (see Figure 7).

Figure 7: Contingent Workforce Management Maturity Model



As these companies consider their priorities over the next year — and their ability to fill talent gaps and adjust to shifts in talent demand — they should consider the following maturity model.

Each stage is defined by four different characteristics:

Ownership: Who has ownership over workforce planning, including process and technology?

Alignment: How aligned is strategic workforce planning with business, recruitment, employee development, and contingent workforce needs?

Solutions: What technology and services are in place?

Evaluation: How often is strategic workforce planning being evaluated?

Workforce planning is not a quick fix. It involves a process and a far-reaching commitment to current and projected business needs. Over time, organizations evolve in workforce planning maturity, and some business units may evolve faster than others. Once companies establish their goals and success measures, they can move up the maturity model and look not only at the current supply, but forecast and plan for the future. As described in the following sections, the maturity model is based on specific research findings that define the strategic actions and key outcomes at different levels.



Early Phase

The “early phase” stage of strategic workforce planning includes companies that are just starting to put a strategy together. They are using headcount planning, but their efforts are ad-hoc, and they need a process to manage or track these efforts.

Characteristics: Workforce planning is an emerging discipline, and, as a result, 38% of companies we surveyed have processes that fall under our categorization of the primary level. In the early phases, companies look at the current headcount as the primary driver of the process. Some of these companies take it one step further by addressing future headcount based on historical trends. These organizations seek to understand what they currently have (based on the past) and, in doing so, predict what they may need for the future. At this level, individual business units drive the processes, and HR provides these leaders with static reports on headcount. Companies rarely evaluate their strategies and need consistent alignment with business or recruitment needs.

How to Progress: These companies are beginning to shift ownership, but need to build greater expertise across workforce planning and create more opportunities to evaluate their efforts.



In Progress

The “in progress” stage of workforce planning includes companies evaluating or reevaluating their approach or shifting their strategy beyond phase one. They are trying to look at both supply and demand of talent.

Characteristics: At this phase, 30% of companies take a more dynamic approach to workforce planning by including both analysis and workforce scenarios. Based on headcount analysis, workforce analytics focuses on quantitative data analysis, including relationships with key data variables (cost, turnover, and performance). These companies may also include “scenario planning” or “what-if” situations to test the quantitative data relationships and make more accurate and relevant projections. At this level, workforce planning can develop the past — and current state picture and predict the future.

How to Progress: These companies should shift their ownership to have greater visibility into workforce planning and build the skills needed to understand it more deeply.



Strategic

Companies at the “strategic” stage of workforce planning have greater visibility into business goals and talent needs for the future.

Characteristics: At this strategic stage of workforce planning, organizations integrate the process with business and financial planning and align with the overall business strategy. This approach allows organizations to analyze the dynamics needed to understand business strategies. In addition, unlike the first two stages of workforce planning, strategic workforce planning is well-aligned with talent acquisition and talent management, including:

- Employee development
- Recruiting and staffing
- Contingent labor
- Outsourcing and managed attrition.

How to Progress: Though more progressive, these companies still should strive to build their expertise, continue to align with business and talent initiatives, and start to build a skills-based approach.



Skills-Based

Companies at the skills-based stage are better able to scale and see results from strategic workforce planning. They have greater visibility into the process and can align with business and talent initiatives. At this stage, strategic workforce planning is the foundation of how talent and business decisions are made, rather than a one-off strategy.

Characteristics: A skills-based approach includes several characteristics:

- **Skills are transferrable:** Skills are not tied to a specific job. Instead, they can be transferred to any job or any company.
- **Skills are learned:** Skills are not a keyword or a description. They require training and can be developed over time.
- **Skills give a clear picture:** Skills give a complete picture of an individual and are specific to their capabilities.
- **Skills provide deeper insights:** Skills offer deeper insights into an individual's potential and learnability.
- **Skills provide flexibility:** Career paths are not linear, and developing skills allows companies to offer different opportunities at different times in an individual's career.

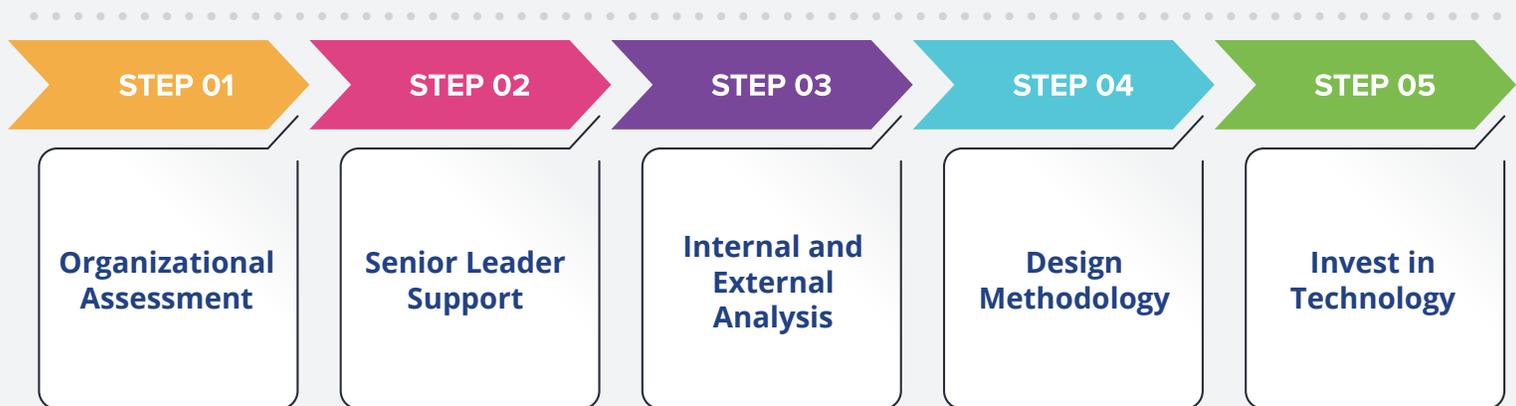
Figure 8: Maturity Model by Characteristics

	Early Phase	In Progress	Strategic	Skills-Based
 Ownership	<ul style="list-style-type: none"> • Business Unit Leaders 	<ul style="list-style-type: none"> • HR 	<ul style="list-style-type: none"> • HR and/or Center of Excellence 	<ul style="list-style-type: none"> • Shared: Senior Executives, Business Leaders, HR
 Evaluation	Annual	Annual/Quarterly	Monthly	Constant
 Activities	<ul style="list-style-type: none"> • Headcount planning 	<ul style="list-style-type: none"> • Headcount analysis • Demand forecasting • Dynamic scenarios 	<ul style="list-style-type: none"> • Headcount analysis • Demand forecasting • Supply forecasting • Alignment with business and talent needs • Dynamic scenarios 	<ul style="list-style-type: none"> • Skill gap analysis • Alignment with business and talent needs • Demand and Supply forecasting
 Solutions	<ul style="list-style-type: none"> • Low tech adoption; Excel spreadsheets 	<ul style="list-style-type: none"> • Greater adoption of technology through existing solutions 	<ul style="list-style-type: none"> • Pure play workforce planning providers 	<ul style="list-style-type: none"> • Best-of-breed strategic workforce planning providers
 Alignment	<ul style="list-style-type: none"> • Lack of alignment 	<ul style="list-style-type: none"> • Recruitment • Talent Development 	<ul style="list-style-type: none"> • Business • Recruitment • Talent Development • Contingent workforce 	<ul style="list-style-type: none"> • Business • Recruitment • Talent Development • Skills-based strategy • Contingent workers

Key Strategies for Success

When it comes to workforce planning, most companies want to know, “Where do I begin?” Given the limited amount of information available on workforce planning, it is no surprise that one of the greatest challenges for organizations is having no defined methodology. Our research identified key steps that best-practice companies follow when beginning their workforce planning processes (see Figure 9).

Figure 9: Steps for Starting Workforce Planning



Workforce Planning is successful when companies shift how they approach people, processes, and technology. It is the combination of these three elements that will make or break a results-driven program.

People: Establishing Ownership of Workforce Planning

Process: Understanding the Key Capabilities and Evaluating the Process

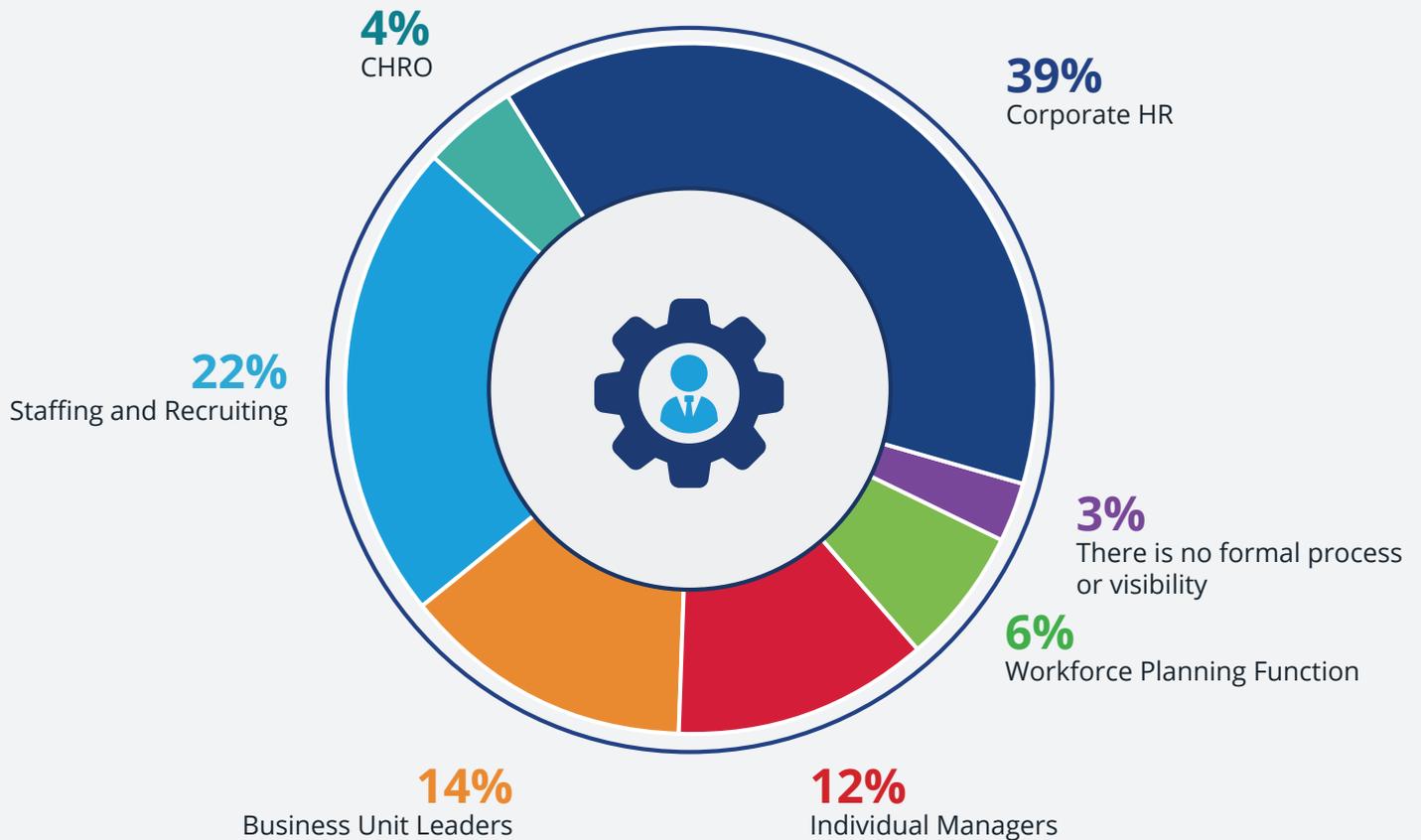
Technology: Investing in the Right Solutions to Drive Results



People: *Establishing Ownership of Strategic Workforce Planning*

Clear ownership is a fundamental problem facing many workforce planning programs. HR only sometimes has visibility or expertise in this area, but companies can build these skills over time. 38% of companies stated that HR plays a major role in executing strategic workforce planning (see Figure 10). This approach to ownership will enable companies to have a more holistic view of talent and create visibility into both contingent and permanent hires.

Figure 10: Ownership of Strategic Workforce Planning



Process: *Understanding the Key Capabilities and Evaluating the Process*

A strategic workforce planning process must closely align with business goals, recruitment, talent development, and contingent workforce management. Companies must work at creating more alignment between these initiatives. A few considerations include the following:

Business alignment: Workforce planning should be included in budget cycles and business planning.

Talent acquisition: Talent acquisition should not only create interest in the topic, but it should also help drive the process. One key workforce planning driver is linking recruitment, development, and training decisions to organizational goals. With involvement and support from talent acquisition departments, organizations will achieve this goal.

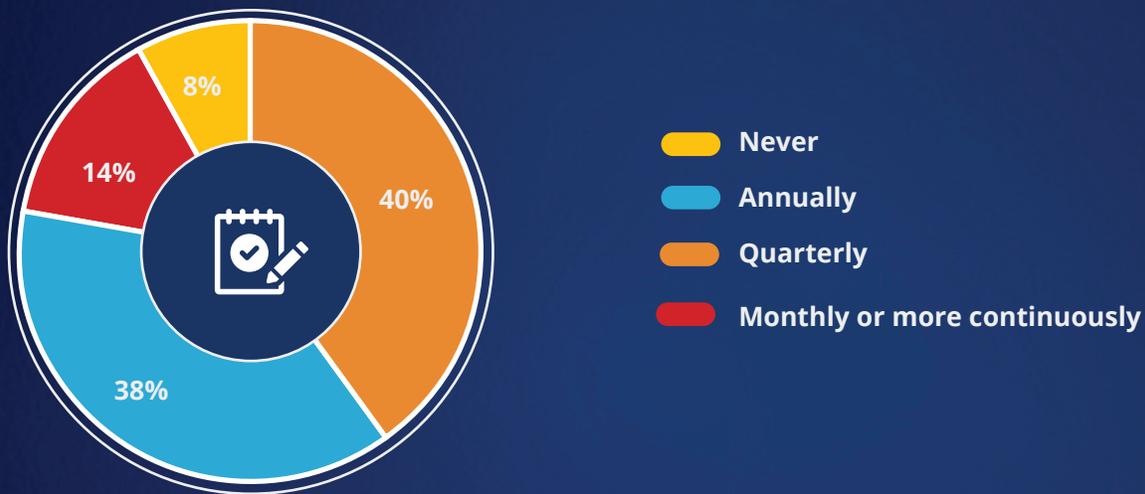
Talent development: More visibility into the workforce needs will ultimately improve the employee experience.

Contingent workforce: Workforce planning can create a more holistic approach to talent, including full-time and contingent workers.

In addition to aligning with business and talent, companies must continuously evaluate the process. Finance and marketing departments regularly forecast and plan their budgets – and need to evaluate these plans quarterly and even monthly. As a dynamic process, workforce planning needs to be revisited regularly to ensure that the plan is aligned with the overall business and is adjusted when different internal and external conditions change. By constantly evaluating this process, organizations will be able to reduce recruitment costs, take advantage of talent opportunities, and build a strong talent pipeline for the future.

This study found that few companies are measuring or evaluating their workforce planning needs monthly or frequently (see Figure 11).

Figure 11: *Evaluation of Strategic Workforce Planning*



Companies evaluating strategic workforce planning frequently should consider the following:

• **Forecasting skill gaps**

• **Planning staffing and recruiting needs**

• **Driving the business to partner with HR**

• **Providing business leaders with recruiting and operational budgets**

• **Hiring quality talent**

• **Reducing layoffs and turnover**

• **Understanding business needs**

• **Creating transparency to business leaders**

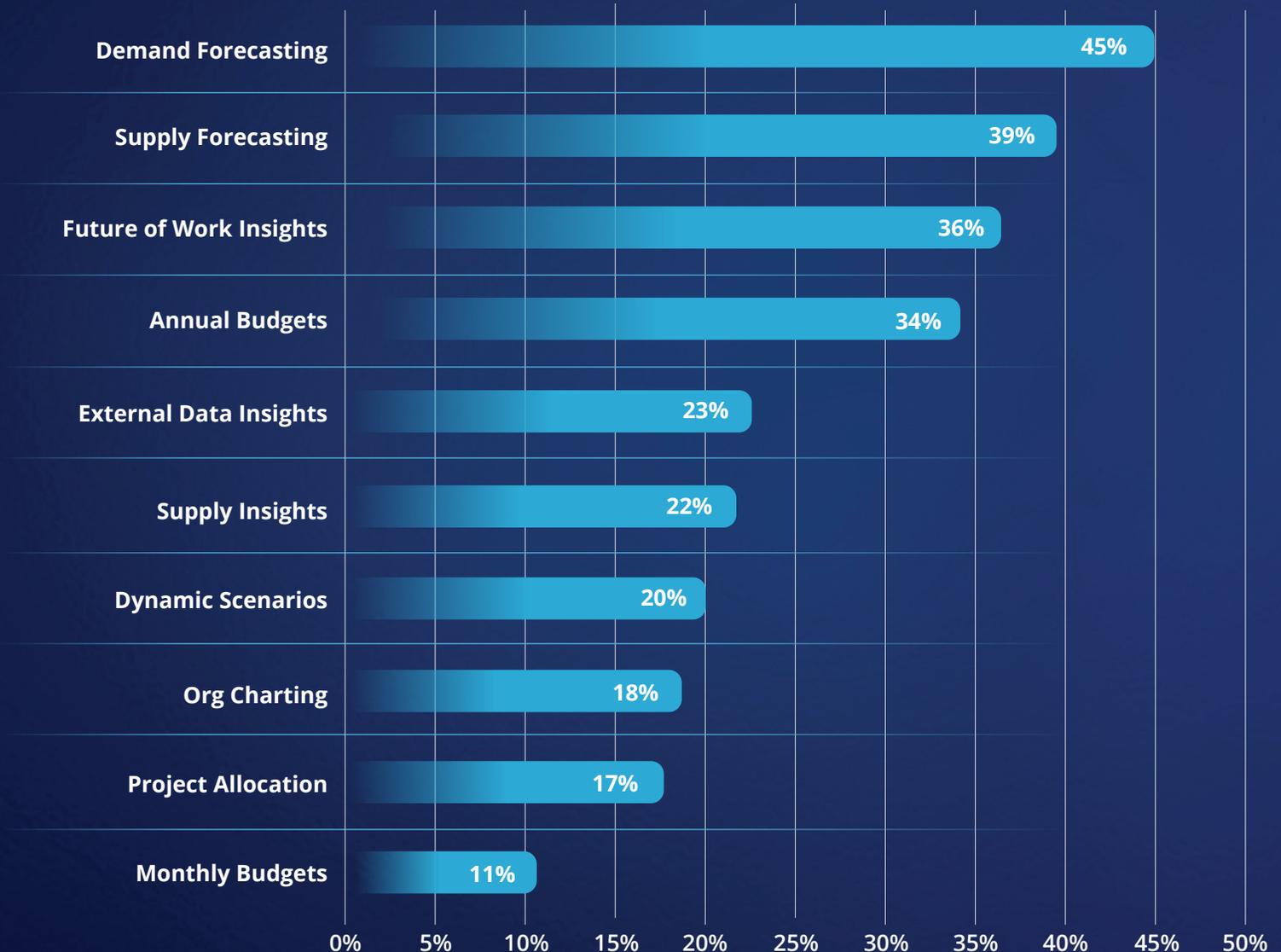


Technology: *Investing in the Right Solutions to Drive Results*

Technology plays a significant role in helping organizations collect and analyze data, determine talent gaps, and create an action plan. Many organizations develop their own processes and templates for analyzing the factors influencing demand and supply of talent. In these cases, a dedicated individual should be tasked with ownership. Often, the responsibility falls on the shoulders of an HR director or training manager, who is already inundated with their own set of responsibilities. **Technology provides a quick ROI and a level of credibility for any organization dedicated to strengthening workforce planning.**

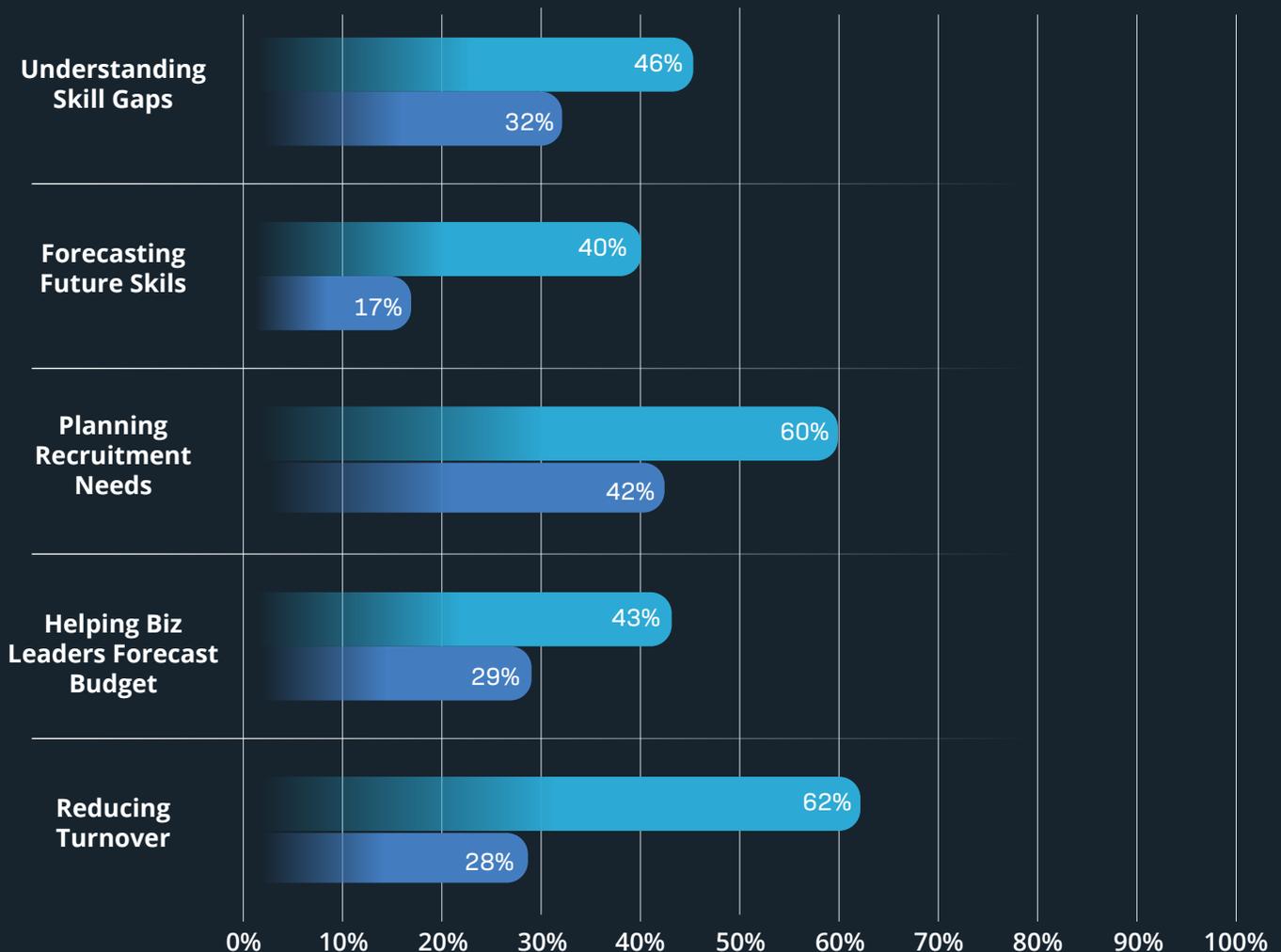
As companies mature in their workforce planning efforts, understanding key capabilities is critical to seeing outcomes. Most companies at the early stages of workforce planning are focused only on demand forecasting and headcount analysis (see Figure 12). A strategic and skills-based approach to workforce planning includes dynamic scenarios, external data insights, and future work insights.

Figure 12: *Strategic Workforce Planning Initiatives*



Companies have several options when investing in technology — either through existing providers or best-of-breed. Companies using strategic workforce planning providers were three times more satisfied with their providers and were able to see greater results with understanding skill gaps, forecasting skill gaps, and reducing turnover (see Figure 13). These solutions help organizations determine the optimum bench strength and measurable workforce strategies for growth and reductions. They address the demand and supply of workforce planning, and they can help HR provide business leaders with key information for closing talent gaps and creating a talent strategy. A key differentiator for these solutions is their scenario planning and predictive modeling capabilities, which can help organizations address their future workforce demands based on internal and external conditions.

Figure 13: *Impact of Strategic Workforce Planning Technology on Business Outcomes*



KEY RECOMMENDATIONS

Companies that invest in strategic workforce planning have clearly identified their goals and priorities for the next year and are achieving both talent and business results. Companies looking to mature in their strategic workforce planning efforts should consider the following:

- **Establish Clear Ownership:** Regardless of who owns strategic workforce planning, companies at an optimized level have established ownership with expertise in managing this workforce and understanding critical skill gaps.
- **Invest in a Skills-Based Approach:** A skills-based approach will help companies to execute a strategic workforce planning strategy in a more effective and efficient way.
- **Adopt a Long-Term Strategy:** Strategic workforce planning is not a response to the labor market or potential economic downturn. It is a strategic initiative that will help companies stay prepared and responsive to all talent decisions that impact organizational growth, profitability, and employee experience.
- **Invest in Strategic Workforce Planning Solutions:** Companies should think beyond the traditional technology for their strategic workforce planning needs. They should look at more innovative and effective solutions that can provide more than headcount analysis and offer dynamic scenarios and a skills-based approach.



ABOUT US



Aptitude Research is a leading human capital management (HCM) research and advisory firm. Our in-depth research and vendor assessments help HR leaders develop a deep understanding of the HCM technology landscape, including talent acquisition and engagement, to ultimately make better purchase decisions.

Our flagship research, The Aptitude Index Report, delivers a comprehensive look at talent acquisition trends and technology. This knowledge, combined with our consulting and advisory services, enables companies to save time, money and improve the recruiting, hiring and workforce management experience.

Founded by leading analyst Madeline Laurano and based in the Boston area, Aptitude Research provides a wealth of HCM expertise to companies, vendors and investors. View our recent and upcoming research at [AptitudeResearch.com](https://www.AptitudeResearch.com) or connect with us on [Twitter](#) or [LinkedIn](#).



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